

Financial Institutions & Insurance Committee

SB 6219

Brief Description: Funding sources for time certificate of deposit investments.

Sponsors: Senator Berkey; by request of State Treasurer.

Brief Summary of Bill

- Allows funds made available by the State Treasurer for the Time Certificate of Deposit Program to be provided from either treasury surplus funds or funds held under the Local Government Investment Pool.

Hearing Date: 2/16/10

Staff: Alison Hellberg (786-7152).

Background:

Time Certificate of Deposit Program.

State law provides a procedure for the management of short-term treasury surplus funds by the State Treasurer (Treasurer) in order to insure a maximum return while they are on deposit in public depositories. The objectives of the procedures are to minimize non-interest earning demand deposits and provide fair compensation to financial institutions for services rendered to the state through the investment of state funds in time deposits.

Funds not held as demand deposits in public depositories must be available for the Time Certificate of Deposit Investment Program (TCD Program) according to a formula. The Treasurer apportions an amount equal to 5 percent of the three-year average mean of general state revenues, as certified in accordance with the constitutional debt limit, or 50 percent of the total surplus treasury investment availability, whichever is less, to participating depositories. Within 30 days after certification, those funds determined to be available according to the

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formula for the TCD Program must be deposited in qualified public depositories. These deposits are allocated among the participating depositories on a basis determined by the Treasurer.

The formula used to determine what funds will be available to the TCD Program is devised in consideration of deposits, assets, loans, capital structure, and investments. The Treasurer may, however, adjust the amount of the allocation if the cash flow needs of the Washington State Treasury will be impaired.

Of all funds available under this program, the Treasurer may use up to \$190 million per year for the Linked Deposit Program.

Local Government Investment Pool.

The Treasurer also operates the Local Government Investment Pool (LGIP). Local governments may make public funds available for investment and reinvestment by the Treasurer. The Treasurer is directed to invest the funds in such manner as to effectively maximize the yield to the LGIP. The stated purpose of the LGIP is to enable political subdivisions, community and technical college districts, the Washington State Board for Community & Technical Colleges, and public four-year institutions of higher education to participate with the state in providing maximum opportunities for the investment of surplus public funds consistent with the safety and protection of the funds.

Summary of Bill:

The funds made available by the Treasurer for the TCD Program may be provided from either treasury surplus funds or funds held under the LGIP. The Treasurer may only use state funds available under the TCD Program for use in the Linked Deposit Program.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.